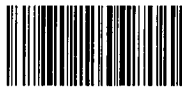


Handwritten mark



DM

SECU

18005879

OMB APPROVAL
OMB Number: 3235-0123
Expires: August 31, 2020
Estimated average burden hours per response . . . 12.00

SEC MAIL PROCESSING
Received
ANNUAL AUDITED REPORT
FORM X-17A-5
PART III
FACING PAGE
WASH, D.C.
MAR 01 2018

SEC FILE NUMBER
8-10438

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/17 AND ENDING 12/31/17
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

First Manhattan Co.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

399 Park Avenue

(No. and Street)

New York

(City)

NY

(State)

10022

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Alvaro S. Pinto

(212) 756-3232

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

(Name - if individual, state last, first, middle name)

5 Times Square

(Address)

New York

(City)

NY

(State)

10036

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number

yw

OATH OR AFFIRMATION

I, Neal K. Stearns, swear (or affirm) that, to the best of my knowledge and belief the accompanying Statement of Financial Condition pertaining to the firm of First Manhattan Co. (the "Company"), as of December 31, 2017, is true and correct. I further swear (or affirm) that neither the Company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

Neal K Stearns

Neal K. Stearns
Senior Managing Director

[Signature] 8
2/27/18
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statement of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

First Manhattan Co.
Statement of Financial Condition

December 31, 2017

Contents

Facing Page and Oath or Affirmation

Report of Independent Registered Public Accounting Firm.....	1
Statement of Financial Condition	2
Notes to Statement of Financial Condition.....	3

Report of Independent Registered Public Accounting Firm

The Partners of First Manhattan Co.

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of First Manhattan Co. (the "Company") as of December 31, 2017 and the related notes (the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



We have served as the Company's auditor since 1975.

February 27, 2018

First Manhattan Co.
Statement of Financial Condition

December 31, 2017
(*\$ in thousands*)

Assets	
Cash in banks	\$ 5,857
Receivable from clearing broker, net	4,011
Investment advisory fees receivable	14,503
Investments in marketable securities owned by the Company, at fair value (cost \$20,934)	21,061
Other marketable securities, at fair value	7,766
Secured demand notes receivable, fully collateralized	9,141
Fixed assets, net	3,987
Other assets	4,857
Total assets	<u><u>\$ 71,183</u></u>
 Liabilities and net worth	
Liabilities	
Accounts payable and accrued expenses	\$ 16,002
Secured demand notes	9,141
Total liabilities	<u>25,143</u>
 Net worth	 <u>46,040</u>
 Total liabilities and net worth	 <u><u>\$ 71,183</u></u>

See accompanying notes.

First Manhattan Co.

Notes to Statement of Financial Condition (continued)

(\$ in thousands)

1. Organization and Consolidation Policy

First Manhattan Co. ("FMC" or the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is engaged in the business of providing investment advisory and securities brokerage services. The Company has entered into a fully disclosed clearing agreement with Pershing LLC ("Pershing") pursuant to which Pershing provides certain clearing and related functions. Under this arrangement, Pershing, under the Company's continuing supervision, assumes the physical custody of, and conducts the brokerage settlement activities for, accounts of the Company and its customers. The Company is a New York limited partnership, the sole general partner of which is First Manhattan LLC, a New York limited liability company.

2. Significant Accounting Policies

The preparation of the Statement of Financial Condition in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Financial Condition.

The Statement of Financial Condition has been prepared in accordance with U.S. GAAP, as codified in the ASC and set forth by the FASB. Significant accounting policies are as follows:

The Company records all transactions on a trade date basis. Investments owned are carried at market value, which generally is the last trade for listed securities, or the closing bid for over the counter securities, or at fair value, as determined by management.

Fixed assets are stated at cost, less accumulated depreciation and amortization. The estimated useful lives of the assets are five years for equipment and seven years for furniture and fixtures. Leasehold improvements include landlord incentives with a net book value of \$2,072. The estimated useful life of leasehold improvements is the shorter of the useful life of the asset or the remaining lease term.

The carrying value of the Company's assets and liabilities approximates the fair value presented in the Statement of Financial Condition.

First Manhattan Co.

Notes to Statement of Financial Condition (continued)

(\$ in thousands)

3. Receivable from Clearing Broker, Net

Receivable from clearing broker, net represents cash maintained at Pershing, interest receivable, commissions and ticket charges earned as an introducing broker for the transactions of its customers, net of clearing and related expenses.

4. Taxes

The Company is a partnership and therefore is not subject to federal, state and local income taxes, but it is subject to the New York City unincorporated business tax. Accordingly, no provision for federal, state and local income tax has been provided in the accompanying Statement of Financial Condition.

The Company has determined that there are no uncertain tax positions.

5. Secured Demand Notes

Secured demand notes from limited partners of FMC (maturing January 31, 2026) are collateralized by marketable securities and cash. By agreement, collateral in excess of the face amount of the notes, amounting to \$7,766, has also been contributed as capital by the limited partners.

6. Regulatory Capital and Other Information

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250 or 2% of aggregate debit balances arising from customer transactions, as defined. At December 31, 2016, the Company had net capital, as defined, of approximately \$25,802, which exceeded the minimum net capital requirement by approximately \$25,552.

The Company's financial statements have been prepared on the basis of U.S. GAAP and the accounting for landlord incentives on the financial statements differ from the accounting on the Form X-17a-5. As a result, there is a difference of \$2,072 between the assets and liabilities in the financial statements and the Form X-17a-5. Total assets and liabilities on the Form X-17a-5 totaled \$69,111 and \$23,071, as compared to \$71,183 and \$25,143 in the Statement of Financial Condition. There were no differences in partners' capital and there was no effect on net capital.

First Manhattan Co.

Notes to Statement of Financial Condition (continued)

(\$ in thousands)

7. Investments

ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") defines fair value as the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants at the measurement date (an exit price). The transaction to sell an asset or transfer a liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant. Therefore, the objective of a fair value measurement is to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price). A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

ASC 820 establishes a fair value hierarchy for the inputs used in valuation models and techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical financial instruments (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires considerable judgment and involves considering a number of factors specific to the financial instrument.

Level 1 inputs are quoted prices occurring on an arm's length basis in active markets for identical financial instruments that the reporting entity has the ability to access at the measurement date. An active market for the financial instrument is a market in which transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the financial instrument, either directly or indirectly. Level 3 inputs are unobservable inputs for the financial instrument.

First Manhattan Co.

Notes to Statement of Financial Condition (continued)

(\$ in thousands)

7. Investments (continued)

The following table summarizes the valuation of the Company's investments within the fair value hierarchy levels as of December 31, 2017:

	Investments in U.S. Government and Equity Securities	Other Marketable Securities
Level 1	\$ 21,061	\$ 3,788
Level 2	-	3,978
Level 3	-	-
	<u>\$ 21,061</u>	<u>\$ 7,766</u>

Marketable equities and U.S. Government securities owned by the Company are valued at quoted prices in active markets for identical instruments.

Corporate bonds and municipal bonds are valued using dealer quotes, bond market activity, and other marketable observable movements. Corporate and municipal bonds are included in Level 2 in other marketable securities.

8. Commitments and Contingent Liabilities

The Company leases office space in New York City under an operating lease expiring December 2024. The lease is secured by an irrevocable standby letter of credit in the amount of \$2,400.

Aggregate future minimum annual rental payments for the years subsequent to December 31, 2017 are approximately as follows:

Year ending December 31:	
2018	\$ 4,645
2019	4,645
2020	4,645
2021	4,645
2022 and thereafter	14,669
Total	<u>\$ 33,249</u>

First Manhattan Co.

Notes to Statement of Financial Condition (continued)

(\$ in thousands)

9. Indemnifications

The Company has agreed to indemnify Pershing for losses that Pershing may sustain from customer accounts introduced by the Company. At December 31, 2017, these accounts were fully collateralized by securities of such customers, thereby reducing the associated risk. As such, the Company has not recorded an accrual for this contingency at December 31, 2017.

10. Concentration of Credit Risk

The Company is engaged in various trading, brokerage and custodial activities with brokers. In the event those brokers do not fulfill their obligations, the Company may be exposed to risk. It is the Company's policy to review, as deemed necessary, the credit standing of each broker.

For the year ended December 31, 2017, a single broker cleared the majority of securities transactions.

11. Subsequent Events

The Company has evaluated subsequent events through the date of issuance of the Statement of Financial Condition, and has determined that no subsequent events have occurred that would require disclosure in the Statement of Financial Condition or accompanying notes.